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SUBJECT: SENTENCING OF TURKEY'S 2ND RICHEST MAN AND MEDIA
MOGUL NOT SEEN AS POLITICAL

REF: 09 ANKARA 1705

¶1. (U) On February 10 Mehmet Emin Karamehmet, President of Cukurova Holding, was sentenced to 11 years and eight months of jail for embezzlement by Istanbul's Heavy Penal Court. Known as Turkey's second richest man, Karamehmet was convicted of embezzling funds from Pamukbank, a bank he owned before it was seized by the Savings, Deposits, and Insurance Fund (TMSF) in 2002 due to a US \$2 billion capital shortfall. The Istanbul court also fined him 472 million Turkish Lira (nearly US \$312 million) for misusing loans provided by the bank. The court case against Karamehmet was opened six years ago in response to complaints from the Turkish Banking Regulatory and Auditing Board (BDDK) and the TMSF. Karamehmet is expected to appeal to the Higher Court of Appeals.

¶2. (U) The Cukurova Group's business activities range from media and telecommunications to energy, transportation, and finance. The Group's Genel Enerji company is very active in northern Iraq. The group owns a number of media companies including Aksam and Tercuman newspapers, Show TV, and Digiturk cable. Although Aksam is more mainstream, Tercuman is considered ultra-nationalist and anti-government. Tercuman's former editor-in-chief, Ufuk Buyukcelebi, was briefly detained during a round of Ergenekon raids in 2008. Presently, the media is not portraying the sentencing of Karamehmet as politically motivated, in contrast to much of its reaction to the government's tax case against rival Dogan holding (reftel). The media instead has focused on the financial difficulties of tycoon Karamehmet, who has long eschewed the public limelight. (Note: Journalist contacts at Aksam have told us that they had not been paid for three months, while Digiturk seemed to be able to afford a US \$1.5B five-year bid for premier football league broadcast rights).

¶3. (SBU) Comment: The Cukurova Group's evident economic problems and its comparatively less controversial media influence lead us to caution against assuming that Karamehmet is another Dogan. This case instead arises from the 2001 Turkish financial crisis, which was triggered in part by Turkey's then-poorly regulated banks making huge, non-collateralized loans to owners like Karamehmet that were never repaid. Interbank, another Cukurova Group bank, failed in 1999. Pamukbank went under early in 2002 after its assets were distributed (via unpaid loans) to various Cukurova Group companies. The GOT spent US \$43 billion to restructure its financial system after the crisis. Part of that process - done with IMF and World Bank help - involved taking over 23

bankrupt banks, including Pamukbank. The Karamehmet prosecution grew out of that clean up process. However, as one of post's investment analyst contacts notes, such cases will not make attracting foreign investment any easier. End Comment.

WIENER